

A NEW MARKET CYCLE

Seizing opportunities while managing risk.

6 KEY INSIGHTS YOU NEED TO KNOW.

OUR MACRO VIEWS

A new cycle is emerging - driven by **The 3 Ps: inflation peaks, central banks pause, China picks up**

1 Inflation peaks

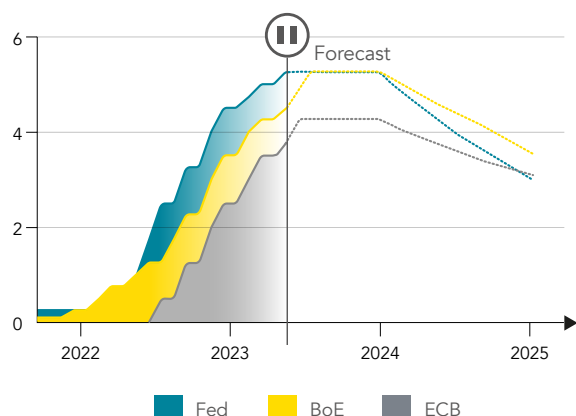
Key Data Point:

From peak of 9.1%, US inflation is now less than 5% and trending lower across the board.

Source: In-house research, Refinitiv.



Central Bank Policy Rates (%)



2 Central banks pause interest rates

Key Data Point:

Inflation remains well over the 2% target so central banks are likely to hold interest rates in restrictive territory for the rest of the year even as inflation slows.

Source: In-house research, Refinitiv; dotted lines = Own forecasts.

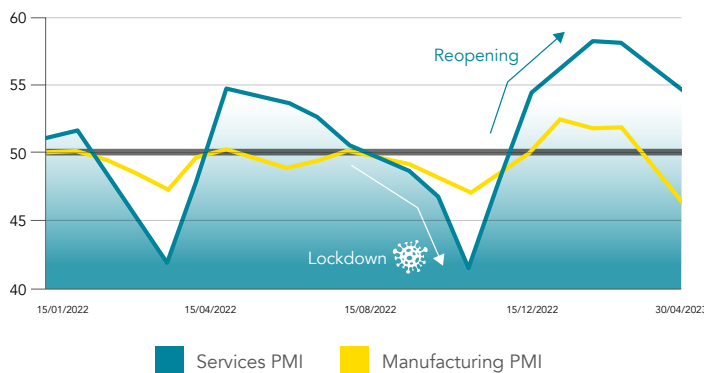
3 China's economic pick-up

Key Data Point:

Despite an uneven recovery and some setbacks, China's Services Purchasing Managers' Index remains in expansionary territory. We think China has room to rebound as reopening progresses and stimulus filters through.

Source: In-house research, Refinitiv.

China Purchasing Managers' Indices (>50 = expansion; <50 = recession)



OUR INVESTMENT VIEW

Moderately defensive positioning.
Our 3 key investment calls.
Investing puts your capital at risk.

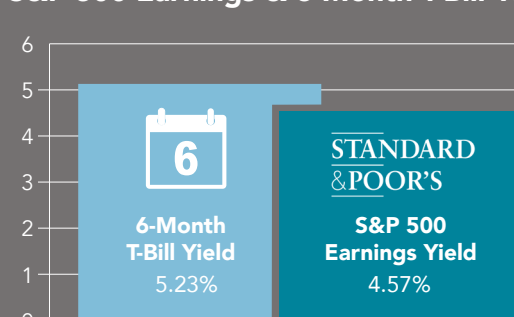
High-quality bonds are attractive compared to equities and low-quality bonds.

Key Data Point:

A 6-month Treasury bill is currently yielding more than the S&P 500.

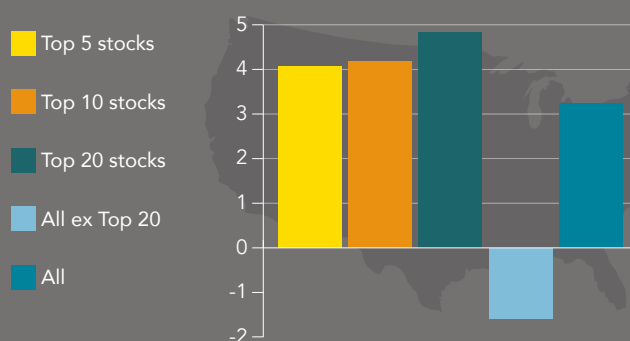
Source: In-house research, Refinitiv

S&P 500 Earnings & 6-Month T-Bill Yields (%)



Past performance is not a guarantee of future performance.

Performance based on:



Past performance is not a guarantee of future performance.

Reducing US equity exposure in favour for defensive pan-European and US equities as volatility risks increase.

Key Data Point:

The US equity market performance has been propped up by a small number of mega-cap growth stocks.

Source: In-house research, Bloomberg, Refinitiv. Note: S&P 500 trailing 6 month returns.

Asia-Pacific & Japan equities are attractively valued and are supported by China's continued reopening.

Key Data Point:

Valuations are attractive in China, Japan and broader Asia-Pacific compared with more expensive US equities.

Source: In-house research, Refinitiv.

Valuations compared to historical average



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Graphs are for illustrative purposes only. Data correct as of 1 June 2023.

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